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Message Text

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17
ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 NSC-05 SS-15 STR-04

CEA-01 PA-01 PRS-01 ABF-01 /084 W
---------- 047670
R 261920Z NOV 75
FM AMEMBASY BRASILIA
TO SECSTATE WASHDC 2718
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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E.O.11652: N/A
TAGS: ECON, EFIN, BR
SUBJECT: CRUZEIRO DEVALUED AGAIN

1. EFFECTIVE YESTERDAY (NOVEMBER 25) THE CRUZEIRO WAS DEVALUED FOR THE THIRTEENTH TIME THIS YEAR, BRING THE CUMULATIVE INCREASE IN THE CRUZEIRO VALUE OF THE DOLLAR IN 1975 TO 19.675 PERCENT. THE LATEST CHANGE WAS FOR 1.43 PERCENT, AND CAME 13 DAYS AFTER THE LAST ONE. THE NEW RATES ARE CR$8.85 PER U.S. DOLLAR FOR BUY AND CR$8.90 PER U.S. DOLLAR FOR SELL.

2. COMMENT: THE 13 CHANGES MADE SO FAR THIS YEAR REPRESENT THE LARGEST NUBMER OF MINI-DEVALUATIONS EFFECTED IN ANY ONE YEAR SINCE THIS SYSTEM WAS INSTITUTED IN 1968 (THERE WERE 11 IN 1974). BEFORE THE END OF THE YEAR, WE WILL PROBABLY SEE ANOTHER DEVALUATION --BRINGING THE TOTAL TO 14, WITH EIGHT IN THE SECOND HALF AND SIX IN THE FIRST HALF OF THE YEAR. THE INCREASE IN THE FREQUENCY IN THE SECOND HALF IS ATTRIBUTABLE TO TWO FACTORS: (A) THR PICK UP IN THE RATE OF
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INFLATION (WHICH WAS 13.7 PERCENT THROUGH JUNE,

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AND 16.3 PERCENT PROJECTED RURING THE SECOND HALF,
FOR A TOTAL INFLATION RATE OF 30 PERCENT FOR THE YEAR
AND (B) THE POOR PERFORMANCE OF EXPORTS IN RECENT
MONTHS. WHILE THE AUTHORITIES WERE PROJECTING
TOTAL EXPORTS AT $9.2 BILLION AS RECENTLY AS LAST
SEPTEMBER, IT NOW APPEARS THAT, OPTIMISTICALLY,
EXPORTS WILL BE NO HIGHER THAN $9.0 BILLION. IF
EXPORTS ONLY REACH $9.0 BILLION AND IMPORTS CONTINUE
DURING THE LAST QUARTER AT THE RATE EXPERIENCED THROUGH
SEPTEMBER, THE TRADE DEFICIT IN 1975 WILL BE CLOSE TO
$3.5 BILLION.
JOHNSON

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NNN

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